II. THE DIRECT CASES CONFIRM THAT SEVERAL LECS' RATES REFLECT IMPROPER IMPLEMENTATION OF THE COMMISSION'S PRESCRIBED PRICE CAP PROCEDURES.

The Commission designated for investigation certain apparent overstatements by price cap LECs of their access rates due to improper implementation by those carriers of the Commission's price cap rules. As shown below, the direct cases confirm that these carriers failed to follow the Commission's prescribed procedures, resulting in excessive rates to their access customers.

A. NYNEX and SNET 1992 Earnings Restatements

Both NYNEX and SNET received lower formula adjustments to their 1992 price cap indices, based on their past years' earnings. In their 1993 access filings, both of those carriers excluded the revenues from these lower formula adjustments in computing their 1992 rates of return upon which their sharing adjustments in the current tariff year are based. AT&T showed that the effect of these adjustments was to understate the LECs' current sharing obligations by a total of approximately $21.9 million, and that there was no basis in the Commission's prescribed sharing and lower formula adjustment mechanism for these carriers' restatements of their 1992 earnings.[42] The Commission agreed that these

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[42] See AT&T Petition, pp. 21-24. Specifically, AT&T calculated that NYNEX had reduced its sharing obligation from $21.4 million to just $1.7 million. Id., Appendix C-1. SNET's adjustment to its reported earnings entirely eliminated its sharing obligation,

(footnote continued on following page)

LECs' treatment of the prior year's lower formula adjustment raised an unresolved issue warranting suspension and investigation of their access rates.[43]

In its Direct Case, NYNEX points out (p. 3) that the Commission has recently instituted a proceeding to clarify its price cap rules to provide that LECs should exclude (or "add back") lower formula adjustments from a past year when computing their earnings for the following calendar year.[44] NYNEX then claims (id.) that this procedure is already "implicit" in the Commission's price cap rules, and accordingly asserts that its current rate levels are valid.[45] SNET likewise asserts (pp. 7-8)

(footnote continued from previous page)

which AT&T estimated at $2.2 million. Id., Appendix C-2.

43 June 23 Order, ¶ 32. Additionally, because the Commission concluded that the treatment of past year's earnings adjustment is also "an issue which applies to all LECs that had a sharing amount . . . based on 1991 earnings," the Commission made those carriers' current access rates subject to this investigation. Id.

44 See Price Cap Regulation of Local Exchange Carriers (Rate of Return Sharing and Lower Formula Adjustment), CC Docket No. 93-179, Notice of Proposed Rulemaking, FCC 93-325, released July 6, 1993 ("NPRM"), ¶ 3.

45 NYNEX also claims (id.) that, had it not "normalized" its 1992 earnings by excluding the effects of the prior lower formula adjustment, "its earnings could be driven below the level that the Commission has defined as confiscatory." NYNEX makes this astonishing claim despite the fact that, even with this manipulation of its rate of return, NYNEX reported earnings for 1992

(footnote continued on following page)

that its treatment of the past lower formula adjustment is "absolutely necessary" to comply with the Commission's decisions establishing the sharing and low end adjustment mechanism.[46]

These claims should be rejected. As a threshold matter, the very fact that the Commission has found it necessary to issue its NPRM proposing to establish an "add back" procedure for calculating the earnings of price cap LECs belies NYNEX's claim that this procedure is somehow already "implicit" in the current price cap rules. As the NPRM (¶ 4) concedes, this issue was not addressed at all in the Commission's price cap decisions or regulations. There is thus no ambiguity in the current rules for the Commission to clarify, and the NPRM accordingly proposes to adopt an "add back" adjustment on a prospective basis only.[47]

(footnote continued from previous page)

above the level required to trigger the Commission's sharing mechanism.

[46] See LEC Price Cap Order, 5 FCC Rcd. at 6801-07 (¶¶ 120-165); LEC Price Cap Reconsideration Order, 6 FCC Rcd. at 2676-91 (¶¶ 86-118).

[47] Cf. AT&T v. FCC, 974 F.2d. 1351 (D.C. Cir. 1992)(where original price cap rules did not distinguish promotional rates from other tariffs, those rules presented no ambiguity for Commission to "clarify" on reconsideration).

Additionally, it is apparent that the Commission's current procedures preclude use of an "add back" adjustment in computing a price cap LEC's earnings. Pursuant to authority explicitly delegated to it by the Commission in the LEC Price Cap Order,[48] the Common Carrier Bureau promulgated a revised Form 492A report to collect rate of return calculations for LECs subject to incentive regulation. Prior to the adoption of the Commission's price cap plan, the Form 492 report had included an "add back" calculation for use by rate of return carriers to display the effects of past refunds on their current earnings. However, the Bureau eliminated this calculation from the revised earnings report form for price cap LECs. In light of that action, it is not credible to claim that the add back procedure is still contemplated by the Commission's existing price cap rules.[49]

Moreover, NYNEX and SNET were expressly required by the Commission to use their earnings, calculated without add back, as the basis for determining their sharing obligations for the current tariff year. Specifically, the Cost Support Order for the annual access filing explicitly stated that "[c]arriers are required to base this year's sharing or low end

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[48] 5 FCC Rcd. at 6834 (¶ 384).

[49] See NYNEX, p. 3; SNET, p. 7.

adjustment on earnings in calendar year 1992," and directed the LECs to submit their Form 1992 earnings reports as part of the cost support for those filings.[50] As shown above, the current Form 492 earnings report for price cap LECs precludes "adding back" the 1992 low end adjustments received by NYNEX and SNET to calculate those carriers' earnings for that year.

In sum, it is evident that there is no justification under the Commission's current rules for NYNEX and SNET to have modified their 1992 earnings to eliminate the effects of prior low end adjustments. The Commission should therefore direct these carriers to restate their earnings to include those revenues, and to revise their price cap indices to reflect those carriers' sharing obligations under the corrected earnings levels.[51]

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[50] Commission Requirements for Cost Support Material To Be Filed with 1993 Annual Access Tariffs, 8 FCC Rcd. 1936 (¶ 24 and n.30)(1993)("Cost Support Order") (emphasis supplied).

[51] If the Commission nevertheless finds that NYNEX and SNET properly relied on the "add back" procedure in setting their rates for the current tariff year, it should also conclude as a matter of parity that those LECs that had sharing obligations in 1992 improperly failed to "add back" those amounts in calculating their earnings. As noted above, the Commission has expressly made those other LECs' tariffs subject to the outcome of its investigation of the propriety of the add back procedure employed by NYNEX and SNET.

B. SNET and Bell Atlantic "G" Factor Miscalculations

AT&T's Petition also showed (at Appendix G) that, in marked contrast to all other price cap LECs, both SNET and Bell Atlantic had improperly computed the "g" factors in the PCI calculations for their respective Common Line baskets by basing those factors on fourth quarter (or, in SNET's case, December) 1992 access line counts, rather than on the line count for the entire 1992 base period as required by Section 61.45 of the Commission's rules.[52] The Commission incorporated this issue in its investigation of the LECs' rates, and required these carriers to justify their "g" factor computations.[53]

SNET's Direct Case candidly concedes (p. 8) that the carrier "used an incorrect access line count in its 'g' factor calculation" by using December monthly access line quantities for both the 1992 base period and the immediately preceding base period. SNET claims, however, that it should not be required to correct its calculation because it has also relied on December line counts in its prior price cap filings and continuing this

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[52] The Commission's rule defines the "g" factor as "[t]he ratio of minutes of use per access line during the base period, to minutes of use per access line during the previous base period, minus 1" (emphasis supplied).

[53] See June 23 Order, ¶¶ 60, 105(5).

practice is necessary to preserve "th[e] essential element of consistency in measurement basis." Id. at 10. Like SNET, Bell Atlantic (pp. 11-12) argues that no correction of its computation is warranted because Bell Atlantic "has consistently used end of period lines in calculating 'g'," and claims that it would be "inappropriate" for the Commission to require a change in that methodology.[54]

There is no basis for the Commission to permit these LECs to perpetuate an admittedly erroneous practice merely for the sake of preserving "consistency." As AT&T has previously demonstrated, these carriers' reliance on a partial year's line count data to develop their "g" factors resulted in substantial understatements of their Common Line basket PCIs. Specifically, Bell Atlantic's

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[54] Bell Atlantic also claims that its 1991-93 "g" factors would have been lower (and, hence, its Common Line basket PCIs would have been higher) if it had used the average calendar year access line counts, rather than fourth quarter line counts, from those years. See Bell Atlantic, Exhibit 3. However, the data Bell Atlantic presents in support of this claim are rife with inconsistencies. For example, although the line count for "base period minus 1" in the "g" factor computation should always be equal to the previous year's line count, none of these amounts matches in Bell Atlantic's exhibit. Moreover, the line counts shown in the exhibit are inconsistent with line counts reported in Bell Atlantic's ARMIS 43-01 filings with the Commission for the period 1990 through 1992. Without further explanation of these serious discrepancies, the Commission should not accept the accuracy of Bell Atlantic's exhibit.

PCI was overstated by $5.45 million, while SNET's price cap for that basket was overstated by $104,000.[55] These LECs' erroneous methodology therefore poses a significant burden to access ratepayers.

Moreover, unless corrected this improper methodology could seriously impede the Commission's administration and enforcement of the LEC price cap plan. This is because SNET's reliance on a one month access line count and Bell Atlantic's use of fourth quarter line count data makes it impossible to validate the accuracy of these LECs' "g" factor computations (on which their Common Line basket PCIs are based) using the annual line count data reported in these carriers' Tariff Review Plan ("TRP").[56] In sum, the Direct Cases demonstrate no valid basis for the Commission to refrain from ordering SNET and Bell Atlantic to base their current and future "g" factor calculations on those carriers' average annual access line counts.

C. Bell Atlantic's Misallocation of Sharing Amounts

AT&T also demonstrated in its Petition (pp. 26-27) that Bell Atlantic had failed to allocate its

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55 See AT&T Petition, Appendix G, pp. 4 of 6 and 6 of 6.

56 SNET's observation (p. 9) that its TRP reported the correct annual line count data is therefore irrelevant, because SNET concedes (id.) that those amounts were not used to develop its "g" factor and the resulting Common Line basket price cap index.

sharing amount properly among that carrier's service baskets, by omitting end user line charges from the Common Line basket's revenues, despite the Commission's finding in the 1992 Tariff Order that sharing should be allocated in proportion to basket revenues.[57] The effect of this misallocation was to understate the sharing amount (and, hence, overstate Bell Atlantic's rates) in the Common Line basket by almost $1.9 million.[58]

The June 23 Order (¶ 42) agreed with AT&T that this procedure raised questions concerning the validity of Bell Atlantic's price cap adjustments, and required Bell Atlantic to justify its sharing allocation methodology.

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57 1992 Tariff Order, 7 FCC Rcd. at 4732-33.

58 This allocation methodology also correspondingly overstated the sharing amounts, and understated the access rates, for Bell Atlantic's other baskets. The sharing amounts as filed by Bell Atlantic, and as corrected to reflect the inclusion of end user revenues in the allocation process, are as follows:

	As filed		Corrected	
Basket	Amount ($ mil)	Percent	Amount ($ mil)	Percent
Common Line	$1.749	21.0	$3.606	43.4
Traffic Sensitive	$4.299	51.7	$3.083	37.1
Special Access	$1.861	20.0	$1.118	14.3
Interexchange	$ .600	7.2	$ .432	5.2

Just as in its original opposition to AT&T's Petition,[59] Bell Atlantic (p. 10) again asserts that inclusion of end user charge revenues would not produce a "cost causative" allocation of its sharing obligation, as required by the LEC Price Cap Order.[60] The Direct Case points out (id.) that the level of end user line charges is not determined under the price cap mechanism, and that these rates therefore do not reflect a LEC's productivity gains. Bell Atlantic (p. 11) therefore argues that including these revenues in the sharing allocation is somehow improper because it "would result in other baskets not receiving the appropriate benefit for their productivity gain."

Bell Atlantic ignores the fact that the 1992 Tariff Order rejected a virtually identical attempt by Bell Atlantic and other LECs to "target" their sharing allocations to reflect the purported contribution to LEC productivity gains of particular access services.[61] As

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[59] See Opposition of the Bell Atlantic Telephone Companies to Petitions to Reject or Suspend and Investigate, filed May 10, 1993 in 1993 Annual Access Tariff Filings, p. 12.

[60] 5 FCC Rcd. at 6805.

[61] In that filing, Bell Atlantic attempted to allocate all of its sharing amount to only two service baskets (Interexchange and Special Access) on the basis that those services were solely responsible for the productivity increases (and, hence, higher earnings levels) that had triggered Bell Atlantic's sharing obligation.

the Commission concluded there, "allocating sharing and low end adjustment amounts on the basis of relative basket revenues most closely comports with the goals of the Commission's price cap plan . . . ." The Commission therefore required the LECs to "allocate their adjustments to all price cap baskets based on the proportion of total revenue in each basket to total interstate revenue."[62]

The Direct Case fails even to acknowledge the Commission's prior directive to include revenues for all of Bell Atlantic's capped services in calculating the allocation of its sharing obligation. Moreover, Bell Atlantic has provided no justification for the Commission to authorize Bell Atlantic to depart from this requirement.[63] Accordingly, the Commission should conclude that Bell Atlantic's price caps based on the exclusion of end user revenues from its sharing allocation are unreasonable, and require that carrier to correct those indices.[64]

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[62] 1992 Tariff Order, 7 FCC Rcd. at 4733 (¶ 5) (emphasis supplied).

[63] Significantly, all other LECs that implemented a sharing obligation in their 1993 access tariffs included end user revenues in allocating those amount among their price cap baskets.

[64] Pacific Bell's Direct Case admits (p. 9, n. 20) that, like Bell Atlantic, it likewise allocated sharing to its Common Line basket based solely upon carrier common line revenues and excluding end user line

(footnote continued on following page)

D. U S WEST's DEM Calculation

In its annual access filing U S WEST reported a total of $(753,099) in exogenous costs, as the last step in the Dial Equipment Minutes ("DEM") transition. In its Petition to the various LEC access tariffs, AT&T challenged this amount as being possibly incorrect because U S WEST's calculation of a $753 thousand reduction in DEM-related exogenous costs deviated significantly from those calculated by other former Bell Operating Companies.[65] These companies had shown decreases of from $3.5 million (Pacific Bell/Nevada Bell) to $6.0 million (BellSouth) with an average reduction of $3.57 million.

(footnote continued from previous page)

charge revenues. For the reasons described above, Pacific Bell's allocation process was also improper, and the Commission should require Pacific Bell to revise its price cap indices and, to the extent necessary, its currently tariffed rates (which are subject to the instant investigation and an accounting order).

As reported by Pacific Bell, its sharing obligation was allocated 16.2 percent (or $590,000) to the Common Line basket; 59.4 percent ($2,163,000) to the Traffic Sensitive basket; 24.4 percent ($888,000) to the Special Access basket; and .1 percent ($4,000) to the Interexchange basket. AT&T estimates that correcting the error in Pacific Bell's methodology results in basket allocations of 49 percent ($1,784,000) for Common Line; 36.1 percent ($1,314,000) for Traffic Sensitive; 14.8% ($539,000) for Special Access; and .1 percent ($4,000) for Interexchange.

[65] AT&T Petition, App. F.

In the June 23 Order the Bureau acknowledged that the method used by U S WEST to calculate its DEM adjustment was different from that used by other LECs. In addition, the Bureau recognized that the method did not appear "to be in accordance with the Commission's rules".[66] Nothing contained in U S WEST's Direct Case refutes these conclusions. U S WEST does not dispute that its DEM method differs from that used by other LECs. More importantly, although it claims that "it believes that it has fully complied with . . . the Commission's rules,"[67] it fails to make any factual showing to support this conclusion.[68] This is not surprising because U S WEST did not follow the Commission's rules.

Pursuant to the Commission's rules on DEM transition, for calendar year 1992, all LECs were required to use 10% and 90% weighting factors for the "A"

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[66] June 23 Order, ¶ 49.

[67] U S WEST, p. 9.

[68] Virtually conceding that its methodology is not in accordance with the Commission's rules, U S WEST devotes a substantial portion of its Direct Case (pp. 10-11) to an analysis which purports to show that its methodology has, over time, provided access reductions larger than those required by the Commission's rules. Assuming that U S WEST's analysis of these purported savings is correct, it is also irrelevant. U S WEST's unilateral decision to provide additional access reductions to its customers in the past does not relieve it of its obligation to comply with the Commission's rules as they relate to this filing.

and "B" components respectively and for calendar year 1993, 0% and 100% weighting factors for the "A" and "B" components respectively. Because the base period involved in this proceeding overlaps two periods the midpoint of these two transitions should be used to determine the DEM exogenous costs: i.e., 5% and 95% weighting factors for the "A" and "B" components respectively. These components must then be used in conjunction with the DEM and composite allocators in order to develop the amount of investment to be assigned to the interstate jurisdiction for purposes of developing DEM exogenous costs.

U S WEST has deviated from this formula. In its calculation of DEM exogenous cost changes U S WEST has failed to keep the components of the calculation, other than the "A" and "B" components constant, as required by the formula. U S WEST used 1992/93 measured DEM to calculate the 1992/93 DEM allocator and then shifted position and relied on 1993/94 data to calculate the 1993/94 DEM allocator.[69] This comparison of unlike

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[69] This calculation differs from that used by U S WEST in earlier filings. For example, in its 1992 annual access filing, U S WEST correctly kept the components of the formula, other than the A and B factors, constant and used the same 1992/93 measured DEM to calculate 1991/92 and 1992/93 DEM allocators. U S WEST Transmittal No. 244, D&J, Sec. 1, Workpaper 2, dated April 1992.

amounts resulted in the understatement of the DEM reduction to be reported by U S WEST.[70]

AT&T has recalculated U S WEST's DEM exogenous costs in a manner which complies with the Commission's rules. Based on this calculation, U S WEST's exogenous costs should be reduced by $5.667 million.[71]

III. MISCELLANEOUS ISSUES

A. NECA GSF Issue

In a Report and Order, released May 19, 1993[72] ("GSF Order"), the Commission modified Section 69.307 of

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[70] The understatement is also influenced by U S WEST's use of a 1.02 overhead cost factor, which is dramatically different than the 1.23 factor used by it in the 1992 annual filing. U S WEST has provided no support or explanation for the significant change in its overhead factor.

[71] Specifically, AT&T applied the appropriate weighting factors to the 1992 ARMIS 43-04 data for each of the U S WEST study areas. This "new" transitional DEM factor was multiplied times the Total Company Subject to Separations investment in Central Office Equipment Category 3 -- Local Switching Equipment. The difference between the actual interstate amount of Local Switching Equipment investment and the amount determined by the final transitional DEM factor is the amount of interstate Local Switching Equipment investment which is affected by the DEM transition. AT&T multiplied this interstate investment difference by a U S WEST carrying charge factor, derived from the same ARMIS 43-04 source, to derive AT&T's calculation of $(5.667) million of exogenous costs. This calculation is contained in Appendix C-1.

[72] Amendment of the Part 69 Allocation of General Support Facilities Costs, 8 FCC Rcd. 3697 (1993)("GSF Order").

its Rules, 47 C.F.R. § 69.307, to delete the prohibition on the allocation of general support facility[73] ("GSF") investment to Category 1.3, common lines.[74] The effect of this revision is to decrease the amount of costs assigned to special access and traffic sensitive elements while increasing the costs assigned to the Common Line ("CL") category. The Commission further determined that the changes in cost assignments, and resulting rates, should be reflected in the access tariffs to be effective on July 1, 1993.[75] Pursuant to the GSF Order tariff revisions were filed by the National Exchange Carrier Association ("NECA"). AT&T opposed these revisions because they raised serious questions of lawfulness and the June 23 Order included the GSF issues raised by AT&T as matter to be investigated.[76]

One of the issues raised by AT&T relates to a number of companies who participate in the NECA CCL pool but do not participate in the NECA T/S pool. As such, these companies will receive the benefits associated with

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[73] GSF investment includes such items as land, buildings, motor vehicles and furniture used by a carrier to support the general provision of telecommunications services.

[74] GSF Order, ¶ 11.

[75] GSF Order, ¶ 16.

[76] June 23 Order, ¶¶ 102-103.

the increase in the NECA CCL charge but will not be affected by the reduced NECA T/S rates. Although a majority of these companies have, in fact, filed reductions in their T/S rates, AT&T pointed out that twenty-six companies had apparently chosen to ignore the GSF Order and had failed to make the requisite changes to the T/S rates in their own tariffs. AT&T further demonstrated that unless the Commission intervened, these companies would receive an unwarranted double recovery of approximately $3.4 million.[77]

In neither its Direct Case nor in its earlier reply to AT&T's Petition, does NECA dispute these facts. NECA simply takes the position that it "has no authority" with respect to these companies.[78] NECA's position is unavailing. Although it may be correct that NECA has no authority to compel these twenty-six companies to file tariffs which reflect the appropriate T/S reductions, NECA cannot rely on this fact to abdicate its own responsibilities. As the Commission has recently noted, "NECA must make reasonable efforts to ensure that all LECs in its . . . processes comply with the Commission's

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[77] A list of these companies is found in Appendix C-2.

[78] See, e.g., NECA, p. 6 fn.19.

rules that affect those processes."[79] Specifically, if LEC data submitted to NECA does not comply with the Commission's rules, NECA must "correct the data in its revenue requirement and revenue distribution computations."[80] As such, NECA must adjust the CL revenue requirement which was used to support its filing to eliminate the $3.4 million double recovery; a double recovery which flows directly from the operation of the pool which NECA administers.[81]

In all events, the Commission certainly has the ability to remedy this situation and should, at bare minimum, do so by a reduction in the NECA CL revenue requirement by $3.4 million to preclude the double recovery.

B. A New Service Category Should Be Established For The LIDB Query Charges.

In its June 23 Order, the Commission required the LECs to indicate the service category or categories to which the LIDB per query charges should be assigned.[82]

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[79] Safeguards to Improve the Administration of the Interstate Access Tariff and Revenue Distribution Processes, 8 FCC Rcd. 1503 (¶ 25)(1993).

[80] Id., ¶ 26.

[81] Alternatively, the Commission should bar these twenty-six companies from participation in the NECA pool and require them to file their own CCL tariffs where this issue can be squarely addressed.

[82] June 23 Order, ¶ 105(7).

Ameritech (pp. 4-5), Bell Atlantic (p. 14), BellSouth (pp. 10-12), NYNEX (pp. 4-5), Pacific and Nevada Bell (pp. 12-13), SNET (p. 12), SWBT (pp. 53-54), U S WEST (pp. 13-14) and GTE (p. 32) all claim that the LIDB per query charges should be assigned to the Local Transport Service Category. United and Centel (pp. 3-6) argue that the LIDB query charges should be assigned to the Switching Category. Neither of these positions is correct. Rather, a new service category within the traffic sensitive basket should be established for the LIDB per query charges.

Inclusion of LIDB query charges within either the transport or switching service categories could result in unreasonable and unjustifiable pricing of LIDB relative to the other elements within those categories. Because there is no competition for LIDB, there is a danger that the LECs will raise the LIDB per query charges in order to lower the prices for other more competitive services included in those categories. Market forces simply are not sufficient to protect LIDB access customers from excessive or discriminatory pricing.

Establishment of a new service category for LIDB rate elements would help to protect against excessive pricing. Indeed, in its <u>Data Base Access</u>

Order, the Commission recently reaffirmed that the standard it employs for creating service categories "is to establish one [service category] for each Part 69 rate element."[83] Thus, when the Commission established a new 800 data base service rate element and sub-elements, it also established a new 800 data base service category with five percent upper and lower band limits.[84] The Commission found that the LECs "have the ability to decrease the prices of competitively provided vertical features and increase the price of 800 data base service by substantial amounts" and noted that the new service category "will help protect customers against excessive prices for 800 services while granting the LECs sufficient pricing flexibility".[85] Similarly, the Commission recently proposed to establish a new category for operator services, with 5 percent upper and lower band limits, tentatively concluding that "the creation of a separate category for operator services is necessary to ensure that price cap companies do not have unlimited

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[83] Provision of Access for 800 Service, 8 FCC Rcd. 907, 912 (1993)("Data Base Access Order").

[84] Data Base Access Order, 8 FCC Rcd. at 912.

[85] Id.

ability to change prices for these services in relation to other traffic sensitive or interexchange rates."[86]

Because the Commission has allowed the LECs to establish new rate elements for provision of LIDB[87] and because market forces are not yet sufficient to protect against excessive or discriminatory pricing of LIDB, the Commission should now require the LECs to establish a LIDB Service Category within the traffic sensitive switching basket with five percent upper and lower band limits.[88]

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86 Treatment of Operator Services Under Price Cap Regulation, 8 FCC Rcd. 3655 (1993).

87 Southwestern Bell Telephone Company's Petition for Waiver of Part 69 of the Commission's Rules, 6 FCC Rcd. 6095 (1991), recon. dismissed, 7 FCC Rcd. 5566, review denied, 7 FCC Rcd. 6539 (1992); Local Exchange Carrier Line Information Database, 7 FCC Rcd. 525 (1991).

88 In the unlikely event the Commission determines that a new LIDB service category is not appropriate, then the LIDB query charges should be included within the switching service category. As United and Centel have argued, the LIDB queries are more closely related to switching then transmission, both from a cost and a technical standpoint. See United, pp. 5-6.

CONCLUSION

For the reasons discussed above, the Commission should require the companies listed in Appendix A to revise their rates prospectively, to refund the overstated amounts collected during the pendency of this investigation, and, in the case of price cap companies, to reduce their PCIs.

Respectfully submitted,

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LIST OF APPENDICES

INDUSTRY IMPACT OF LECS' IMPROPER RATE DEVELOPMENT

	Exogenous Costs	Price Cap Sharing Improper Adjustments	Improper Dial Equipment Minutes Calculation	Sharing Allocation Among Baskets	NECA GSF Adjustments
	OPEB	SHARING		MISALLOCATE	GSF
Ameritech	$4.9M				
Bell Atlantic	65.6M			N/A[2]	
BellSouth	2.1M				
GTOC	24.7M				
GTE System	5.9M				
Lincoln	.1M				
NYNEX	12.1M	$19.7M			
Pacific				N/A[2]	
Rochester	1.4M				
SNET	3.4M	2.2M			
SWBT	65.3M				
U S WEST	46.8M		5.6M		
NECA					$3.4M[3]
Totals	$232.3M[1]	$21.9M	5.6M	N/A[2]	$3.4M[3]

NOTES: .

Numbers reflect rounding. Other issues contained in Opposition not quantifiable.

1 Price cap indices would be affected by this amount. The rate impact is $87M.

2 Absolute value does not change but relative value among baskets significantly changes.

3 <u>See</u>. Appendix C-2 for list of companies.

ANALYSIS OF PRICE CAP LECS SEEKING EXOGENOUS TREATMENT FOR OPEB IN THE 4/2/93 INTERSTATE ACCESS FILINGS

($ in Thousands)

	Full $ Value of PCI Increase[1]	Prospective Only $ Value of PCI Increase
Ameritech	4,899	4,899
Bell Atlantic	65,644	18,761
BellSouth	2,143	2,143
GTOCs	24,657	24,657
GTE System (Contel)	5,930	5,930
Lincoln	124	248
NYNEX	12,099	8,066
Rochester	1,407	938
SNET	3,350	3,350
SWBT	65,288	32,644
U S WEST	46,791	31,194
TOTALS	$232,332	$132,830

1 See LEC TRPs Form EXG-1 in the 1993 Annual Access Filings.